MADIBENG LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

General Information

Legal form of entity	Local Municipality
Nature of business and principal activities	Providing municipal services
Mayoral committee	Cllr. S KLAAS Cllr. DS MAIMANE Cllr. RL MALULEKE Cllr. FM MANGOATHE Cllr. NM MASWANGANYI Cllr. WS MOLEFE Cllr. BG MONTSHO Cllr. MG NQETHO Cllr. SDN NTHANGENI Cllr. NR RAKOLLE
Executive Mayor	Cllr. MP MAGONGWA (Mayor)
Councillors	Cllr. MZ BANDA Cllr. EJ BARLOW Cllr. LJ BASSON Cllr. GD BETHA Cllr. TS BOGALE Cllr. RNJ BREYTENBACH Cllr. S DAVIDS Cllr. RB ELLIS Cllr. S KLAAS Cllr. RD LEKOANE Cllr. EDF LOURENS Cllr. P MAAKANE Cllr. MM MACHETE Cllr. MP MAGONGWA (Mayor) Cllr. BD MAHLAOLE Cllr. DS MAIMANE Cllr. PB MAKGABO Cllr. ML MAKGALE Cllr. PB MAKHONGELA (Speaker) Cllr. SS MALETE (Chief Whip) Cllr. RL MALULEKE Cllr. PD MAMOGWE Cllr. FM MANGOATHE Cllr. P MANTU Cllr. NM MARINGA Cllr. JS MASINA Cllr. PN MASUHLO Cllr. NM MASWANGANYI Cllr. K MATLI Cllr. SA MATOME Cllr. SM MAUNATLALA Cllr. E MESO Cllr. DP MHLANGA Cllr. JT MOABI Cllr. ME MOATSHE Cllr. TM MODIHA Cllr. ETM MODISE Cllr. RK MOGOTSI

General Information

	Cllr. WS MOLEFE Cllr. MS MOLOI Cllr. S MONNAKGOTLA Cllr. BG MONTSHO Cllr. NJ MONTSHO Cllr. PN MORE Cllr. FJ MOTEPE Cllr. G MOTLHOKAPUDI Cllr. S MPONGWANA Cllr. S NGUBEGUSHA Cllr. LL NKHOMA Cllr. I NKOSI Cllr. MG NQETHO Cllr. SDN NTHANGENI Cllr. KS NTSHABELE Cllr. II PADI Cllr. AG PEPLAR Cllr. HT PHALWANE Cllr. PA PHETLHE Cllr. J PIETERSE Cllr. NR RAKOLLE Cllr. MB RAMAPUPUTLA Cllr. IS RASEROKE Cllr. GJ ROSSOUW Cllr. J SEFUDI Cllr. CD SEKHOTO Cllr. M SERERO Cllr. WI STRAUSS Cllr. EE TANKE Cllr. EM THABANE Cllr. MP TLHOPANE Cllr. JG TSHABALALA Cllr. AM TSHIDI Cllr. TPJ TSOTETSI
Grading of local authority	10
Chief Finance Officer (CFO) (Acting)	Mr C.H.R. Boshoff
Accounting Officer (Acting)	AK Modise
Registered office	53 Van Velden Street Brits 0250
Business address	53 Van Velden Street Brits 0250
Postal address	PO Box 106 Brits 0250
Auditors	Auditor General

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
NWRG	North West Provincial Goverment
DSAC	Department of Sport, Arts and Culture
INCA	Infrastructure Finance Corporation Limited
PMU	Project Management Unit

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2012 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality.

The annual financial statements set out on pages 6 to 46, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2011 and were signed on its behalf by:

Mr A.K. Modise
Municipal Manager / Accounting Officer
31 August 2011

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2011.

1. Review of activities

Main business and operations

The operating results and state of affairs of the municipality are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 28 240 762 (2010: surplus R 38 486 269).

2. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The municipality entered into a settlement agreement with Sandspruit Works Association to settle its outstanding debts.

4. Accounting Officer's interest in contracts

The accounting officer has no interests in contracts awarded.

5. Accounting Officer

The acting accounting officer of the municipality during the year and to the date of this report is as follows:

Name
AK Modise

6. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Board meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Board of directors

The Board:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising:
  - councillors, all of whom are independent councillors as defined in the Code
- has established a Board directorship continuity programme.

Accounting Officer's Report

Chair person

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Council meetings

The accounting officer has met on - separate occasions during the financial year. The accounting officer schedules to meet at least - times per annum.

Non-executive directors have access to all members of management of the municipality.

Audit committee

Mr W.E. Huma was the chairperson of the audit committee. The committee met 2 ordinary times and 8 special times during the financial year to review matters necessary to fulfil its role. The audit committee members consist of:

- W.E. Huma (Chair)
- B. Mathlbela
- C. Rhaka

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee. Notwithstanding that councillors appointed by the municipality constituted the municipal entities' Audit Committees, National Treasury policy requires that municipalities should appoint further members of the municipality's audit committees who are not councillors of the municipal entity onto the audit committee.

Internal audit

The municipality has employed a chief internal auditor for the year under review.
Mr. S. Matjele.

This is in compliance with the Municipal Finance Management Act, 2003.

7. Bankers

The municipality banks primarily with ABSA Bank Limited.

8. Auditors

Auditor General will continue in office for the next financial period.

9. Public Private Partnership

In accordance with the PPP agreement, the Contractor shall open a separate account with a bank registered in the Republic of South Africa, for the purpose of administering and separate safekeeping of:

- moneys deposited as excess surpluses;
- any foreign exchange rate amounts;
- any service credits; and
- any penalties for later service commence mental text.

Madibeng Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Position

Figures in Rand	Note(s)	2011	2010
Assets			
Current Assets			
Inventories	7	3 602 544	4 783 364
Trade and other receivables from exchange transactions	8	39 912	-
VAT receivable	9	15 298 580	5 572 348
Consumer debtors	10	207 080 277	198 531 957
Other receivables	6	159 334	159 334
Cash and cash equivalents	11	77 134 369	58 267 833
		303 315 016	**267 314 836**
Non-Current Assets			
Property, plant and equipment	3	1 455 481 785	1 438 585 653
Other financial assets	4	137 750 445	48 734 256
Other receivables	6	12 286 046	12 286 046
		1 605 518 276	**1 499 605 955**
Total Assets		**1 908 833 292**	**1 766 920 791**
Liabilities			
Current Liabilities			
Other financial liabilities	12	8 628 907	13 192 539
Finance lease obligation	13	711 634	792 670
Trade and other payables from exchange transactions	16	278 820 956	225 088 364
Consumer deposits	17	9 710 672	8 109 492
Unspent conditional grants and receipts	14	106 992 615	11 647 159
Bank overdraft	11	-	569 002
		404 864 784	**259 399 226**
Non-Current Liabilities			
Other financial liabilities	12	486 933 824	471 123 489
Finance lease obligation	13	1 353 392	2 065 026
Provisions	15	80 395 893	70 806 893
		568 683 109	**543 995 408**
Total Liabilities		**973 547 893**	**803 394 634**
Net Assets		**935 285 399**	**963 526 157**
Net Assets			
Accumulated surplus		935 285 399	963 526 157

Madibeng Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Financial Performance

Figures in Rand	Note(s)	2011	2010
Revenue			
Property rates	19	138 402 499	129 035 419
Service charges	20	348 285 395	320 733 640
Rental of facilities		893 968	919 721
Interest received (consumer debtors)		36 721 506	33 795 199
Fines		765 857	793 430
Licences and permits		4 120 380	3 868 027
Government grants and subsidies	21	274 411 756	278 760 294
Agency fees		8 182 056	7 407 246
Other income	22	14 521 340	15 003 976
Interest received - investment	27	10 560 049	7 211 307
Dividends received	27	7 006	10 046
Total Revenue		**836 871 812**	**797 538 305**
Expenditure			
Employee Cost	24	204 816 132	199 596 427
Remuneration of councillors	25	15 364 992	14 469 949
Depreciation and amortisation	28	37 843 084	39 460 596
Finance costs	29	70 013 935	55 877 346
Debt impairment	26	112 964 373	91 402 923
Repairs and maintenance		12 746 560	25 454 380
Bulk purchases	32	290 979 618	182 671 119
Contracted services	31	47 525 322	54 701 459
General Expenses	23	73 370 256	96 052 317
Total Expenditure		**865 624 272**	**759 686 516**
Gain on disposal of assets and liabilities		15 913	-
Fair value adjustments		495 785	634 480
(Deficit) surplus for the year		**(28 240 762)**	**38 486 269**

Madibeng Local Municipality
Annual Financial Statements for the year ended 30 June 2011

Statement of Changes in Net Assets

Figures in Rand	Capitalisation reserve	Government grant reserve	Total reserves	Accumulated surplus	Total net assets
Opening balance as previously reported	222 224 165	588 784 414	811 008 579	114 031 309	925 039 888
Adjustments					
Prior year adjustments	(222 224 165)	(588 784 414)	(811 008 579)	811 008 579	-
Balance at 01 July 2009 as restated	-	-	-	**925 039 888**	**925 039 888**
Changes in net assets					
Surplus for the year	-	-	-	38 486 269	38 486 269
Total changes	-	-	-	38 486 269	38 486 269
Balance at 01 July 2010	-	-	-	**963 526 161**	**963 526 161**
Changes in net assets					
Surplus for the year	-	-	-	(28 240 762)	(28 240 762)
Total changes	-	-	-	(28 240 762)	(28 240 762)
Balance at 30 June 2011	-	-	-	**935 285 399**	**935 285 399**

Note(s)

Cash Flow Statement

Figures in Rand	Note(s)	2011	2010
Cash flows from operating activities			
Receipts			
Delivery of services and other revenue		877 046 461	833 523 830
Interest income		10 560 049	7 211 307
Dividends received		7 006	10 046
		887 613 516	840 745 183
Payments			
Employee costs		(665 374 369)	(706 291 361)
Finance costs		(69 780 714)	(55 584 659)
		(735 155 083)	(761 876 020)
Net cash flows from operating activities	33	**152 458 433**	**78 869 163**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(54 739 216)	(90 666 395)
Proceeds from sale of financial assets		(88 504 491)	(3 070 819)
Net cash flows from investing activities		**(143 243 707)**	**(93 737 214)**
Cash flows from financing activities			
Repayment of other financial liabilities		11 246 703	44 147 818
Finance lease payments		(1 025 891)	391 167
Other		-	15 922 311
Net cash flows from financing activities		**10 220 812**	**60 461 296**
Net increase/(decrease) in cash and cash equivalents		**19 435 538**	**45 593 245**
Cash and cash equivalents at the beginning of the year		57 698 831	12 105 586
Cash and cash equivalents at the end of the year	11	**77 134 369**	**57 698 831**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous year.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

An appropriate discount rate is determined at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 5.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.2 Investment property (continued)

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

Item	Useful life
Property - land	Indefinite
Property - buildings	30 years

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Accounting Policies

1.3 Property, plant and equipment (continued)

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	30 years
Plant and machinery	5 years
Furniture and fixtures	5 years
Motor vehicles	4 years
Office equipment	5 years
IT equipment	3 years
Infrastructure	
• Roads and paving	10 years
• Pedestrian malls	20 years
• Electricity	20 years
• Water	20 years
• Sewerage	20 years
Community	
• Buildings	30 years
• Recreational facilities	30 years
• Taxi ranks	10 years
• Staduims	30 years
Bins and containers	10 years
Farming Machinery	5 years
Specialised vehicles	5 - 10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Accounting Policies

1.4 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software	2 years

1.5 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

1.5 Heritage assets (continued)

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

Accounting Policies

1.6 Financial instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:
- Financial assets at fair value through surplus or deficit - held for trading
- Loans and receivables
- Available-for-sale financial assets
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit include dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Available-for-sale financial assets are subsequently measured at fair value. This excludes equity investments for which a fair value is not determinable, which are measured at cost less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in equity until the asset is disposed of or determined to be impaired. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in surplus or deficit as part of other income. Dividends received on available-for-sale equity instruments are recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Changes in fair value of available-for-sale financial assets denominated in a foreign currency are analysed between translation differences resulting from changes in amortised cost and other changes in the carrying amount. Translation differences on monetary items are recognised in surplus or deficit, while translation differences on non-monetary items are recognised in equity.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Accounting Policies

1.6 Financial instruments (continued)

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- A gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

1.6 Financial instruments (continued)

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.7 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:
- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.10 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Accounting Policies

1.10 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

1.11 Provisions and contingencies (continued)

A provision is used only for expenditure for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:
- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:
- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:
- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.12 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.13 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.13 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.14 Turnover

Turnover comprises of sales to customers and services rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA is:

(a) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;

(b) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the Municipal Systems Act, and which has not been condoned in terms of that Act;

(c) expenditure incurred by a municipality in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No. 20 of 1998); or

(d) expenditure incurred by a municipality or municipal entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's bylaws giving effect to such policy, and which has not been condoned in terms of such policy or by-law, but excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Accounting Policies

1.21 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.22 Presentation of currency

These annual financial statements are presented in South African Rand.

1.23 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.24 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

1.25 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.26 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.27 Research and development expenditure

Research costs are charged against operating surplus as incurred. Development costs are recognised as an expense in the period in which they are incurred unless the following criteria are met:

- The product or process is clearly defined and the costs attributable to the process or product can be separately identified and measured reliably;
- The technical feasibility of the product or process can be demonstrated;
- The existence of a market or, if to be used internally rather than sold, its usefulness to the municipality can be demonstrated;
- Adequate resources exist, or their availability can be demonstrated, to complete the project and then market or use the product or process; and
- The asset must be separately identifiable.

Where development costs are deferred, they are written off on a straight-line basis over the life of the process or product, subject to a maximum of five years. The amortization begins from the commencement of the commercial production of the product or use of the process to which they relate.

1.28 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

Accounting Policies

1.28 Budget information (continued)

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

Notes to the Annual Financial Statements

2. New standards and interpretations

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 103: Heritage Assets

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Grap 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grap 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grap 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grap 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

IGRAP 1: Interpretation of GRAP: Applying the Probability Test on Initial Recognition of Exchange Revenue

An entity assesses the probability of each transaction on an individual basis when it occurs. Entities shall not assess the probability on an overall level based on the payment history of recipients of the service in general when the probability of revenue is assessed at initial recognition.

The full amount of revenue will be recognised at initial recognition. Assessing impairment is an event that takes place subsequently to initial recognition. Such impairment is an expense. Revenue is not reduced by this expense.

The effective date of the interpretation is for years beginning on or after 01 April 2010.

The municipality has adopted the interpretation for the first time in the 2011 annual financial statements.

The impact of the interpretation is not material.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:
- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 26: Impairment of cash-generating assets

Cash-generating assets are those assets held by an municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

An entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, an municipality estimates the recoverable amount of the asset. When estimating the value in use of an asset, an municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and an municipality applies the appropriate discount rate to those future cash flows.

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, an municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, an entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, an municipality estimates the recoverable amount of that asset.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

IGRAP 3: Determining Whether an Arrangement Contains a Lease

This Interpretation of the Standards of GRAP does not apply to arrangements that are, or contain, leases excluded from the scope of the Standard of GRAP on Leases (as revised in 2010).

The issues addressed in this Interpretation of the Standards of GRAP are:

- how to determine whether an arrangement is, or contains, a lease as defined in the Standard of GRAP on Leases (as revised in 2010);
- when the assessment or a reassessment of whether an arrangement is, or contains, a lease should be made; and
- if an arrangement is, or contains, a lease, how the payments for the lease should be separated from payments for any other elements in the arrangement.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality expects to adopt the interpretation for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

IGRAP 13: Operating Leases – Incentives

In negotiating a new or renewed operating lease, the lessor may provide incentives for the lessee to enter into the agreement. Examples of such incentives are an up-front cash payment to the lessee or the reimbursement or assumption by the lessor of costs of the lessee (such as relocation costs, leasehold improvements and costs associated with a pre-existing lease commitment of the lessee). Alternatively, initial periods of the lease term may be agreed to be rent free or at a reduced rent.

The issue is how incentives in an operating lease should be recognised in the financial statements of both the lessee and the lessor.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality expects to adopt the interpretation for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

IGRAP 14: Evaluating the Substance of Transactions Involving the Legal Form of a Lease

An entity may enter into a transaction or a series of structured transactions (an arrangement) with an unrelated party or parties (an investor) that involves the legal form of a lease. For example, an entity may lease assets to an investor and lease the same assets back, or alternatively, legally sell assets and lease the same assets back. The form of each arrangement and its terms and conditions can vary significantly. In the lease and leaseback example, it may be that the arrangement is designed to achieve a tax advantage for the investor that is shared with the entity in the form of a fee, and not to convey the right to use an asset.

When an arrangement with an investor involves the legal form of a lease, the issues are:

- how to determine whether a series of transactions is linked and should be accounted for as one transaction;
- whether the arrangement meets the definition of a lease under the Standard of GRAP on Leases (as revised in 2010); and, if not,
  - whether a separate investment account and lease payment obligations that might exist represent assets and liabilities of the entity;
  - how the entity should account for other obligations resulting from the arrangement; and
  - how the entity should account for a fee it might receive from an investor.

The effective date of the interpretation is for years beginning on or after 01 April 2011.

The municipality expects to adopt the interpretation for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 2 (as revised 2010): Cash Flow Statements

The revision resulted in various terminology and definition changes.

Operating cash flows:
- Where an entity is in the business of renting and subsequently selling the same assets, these cash flows should be regarded as operating rather than investing cash flows.

Investing cash flows:
- Only expenditures incurred on a recognised asset qualify to be classified as investing activities in the cash flow statement.

Acquisitions and disposals of controlled entities and other operating units:
- Guidance relating to acquisitions and disposals of entities, particularly those on another basis of accounting, has been deleted.

Disclosure of undrawn borrowing facilities, restricted cash balances and the operating, investing and financing cash flows of jointly controlled entities accounted for using the proportionate consolidation method, now encouraged rather than required.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality expects to adopt the amendment for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 3 (as revised 2010): Accounting policies, Changes in Accounting Estimates and Errors

The revision resulted in various terminology and definition changes.

Paragraphs added to Changes in accounting policies
- A change from one basis of accounting to another basis of accounting is a change in accounting policy.
- A change in the accounting treatment, recognition or measurement of a transaction, event or condition within a basis of accounting is regarded as a change in accounting policy.

Selection of accounting policies
- The reference to the Accounting Practices Committee (APC) of SAICA has been deleted from paragraph .11 on the basis that it is not a standard setter and that entities would consider information from a wide range of sources in formulating an accounting policy and not just the pronouncements of the APC.
- Commentary on the selection of benchmark and alternative accounting policies has been deleted.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality expects to adopt the amendment for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 9 (as revised 2010): Revenue from Exchange Transactions

The revision resulted in various terminology and definition changes.

Dividends or similar distributions declared from pre-acquisition surpluses:
Paragraph .36 has been amended to encompass not only securities, but any contributed capital.

Various amendments, deletions and additions to examples included in the appendix.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality expects to adopt the amendment for the first time in the 2012 annual financial statements.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 11 (as revised 2010): Construction Contracts

The revision resulted in certain terminology changes:

Other amendments:

- An example has been added to clarify when an entity acts as a contractor in a construction contract arrangement.
- The example in paragraph .11 has been deleted as it is inappropriate for the South African public sector.
- The explanatory text relating to 'contractors' has been amended to clarify that an entity can be a contractor if it performs construction related activities itself or through subcontractors.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality expects to adopt the amendment for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 12 (as revised 2010): Inventories

The revision resulted in various terminology and definition changes.

Cost formulas:
Paragraph .34 was amended and .35 was added to separate the principle from the exception when applying the cost formula for inventories with a similar nature and use to the entity.

Recognition as an expense:
Where reference has been made to 'net realisable value', 'current replacement cost' has been added.

Fair value measurement:
The appendix on how to determine fair value has been deleted.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality expects to adopt the amendment for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 13 (as revised 2010): Leases

The revision resulted in various terminology and definition changes.

Scope:
Paragraph .04 has been included to clarify that this Standard does not apply to lease agreements to explore for or use natural resources such as oil, gas, timber, metals and other mineral rights and licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights.

Non-current Assets Held for Sale and Discontinued Operations:
Paragraph .51 has been added to clarify that finance lease assets classified as held for sale in accordance with the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations shall be accounted for in accordance with that Standard.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Guidance on accounting for finance leases by lessors:
The paragraph (previously paragraph .53) that provided guidance on the recognition of assets where entities enter into arrangements with private sector entities has been deleted as the Guideline on Accounting for Public Private Partnerships supersedes this guidance.

Guidance on operating lease incentives and substance over legal form:
The guidance included in the original text on substance over legal form has been deleted.

Classification of leases on land and buildings elements:
The guidance on the classification of land and buildings has been amended to ensure that the element of the lease relating to the land is classified as a finance lease where significant risks and rewards have been transferred, despite there being no transfer of title, consistent with the general classification guidance.

All amendments to be applied retrospectively

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality expects to adopt the amendment for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 16 (as revised 2010): Investment Property

The revision resulted in various terminology and definition changes.

Recognition of investment property:
- Additional commentary has been included in paragraph .19 and .20 to explain paragraph .18 that outlines the recognition criteria for investment property.
- This Standard includes investment property under construction as it was inconsistent with the requirement that investment property being redeveloped was still within the scope of this Standard, but not the initial development. As a result paragraphs .10 and .11 were amended, paragraphs .60 and .61 inserted, and paragraphs .25 and .65(e) of the original text deleted.
- The measurement principles were also amended accordingly to allow investment property under construction to be measured at cost if fair value cannot be measured reliably, until such time as the fair value can be measured reliably.
- Additional guidance has been included in the examples of investment property to clarify that the rentals earned do not have to be on a commercial basis or market related for the property to be classified as investment property.

Disclosure:
Entities are encouraged, rather than required, to disclose the fair value of investment property when this is materially different from the carrying amount.

Amendments to be applied as follow:
- Paragraphs .10(e), .54, .59, .62 and .65 were amended, paragraphs .60 and .61 were added and paragraph .25 and .11 (d) of the original text (2004) was deleted by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact. The related amendment to paragraph .05 in the Standard of GRAP on Property, Plant and Equipment is also applied earlier.
- Any other amendments to the Standards of GRAP shall be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality expects to adopt the amendment for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 17 (as revised 2010): Property, Plant and Equipment

The revision resulted in various terminology and definition changes.

2. New standards and interpretations (continued)

Scope:

- The recognition and measurement of exploration and evaluation assets have been added to the scope exclusions.
- Investment properties under construction have been removed from the scope.

Measurement at initial recognition:
Paragraph .23 and .24 have been amended to clarify that the guidance applicable to determine fair value for revalued assets applies equally to the initial measurement of items of property, plant and equipment at fair value.

Depreciable amount and depreciation period:
An additional paragraph has been added to clarify that reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Derecognition:

- The requirement to not classify gains from the disposal of property, plant and equipment as revenue, has been removed.
- Paragraph .79 has been added in line with the IASB Improvements Project to clarify that where assets are held for rental to others in the ordinary course of operations and the entity subsequently sells the assets, the Standard of GRAP on Non-current Assets Held for Sale and Discontinued Operations does not apply. Rather, these assets are to be transferred and treated in accordance with the Standard of GRAP on Inventories.

Disclosures:

- The required disclosures in paragraph .90 have been amended to encouraged disclosures. Added to the list of encourage disclosures is the fair value disclosure of assets where the cost model is used.
- The requirement to disclose the cost basis for revaluated assets was removed.

Amendments to be applied as follow:

- Paragraphs .05, .23 and .24 were amended and paragraph .79 was added by the Improvements to GRAP issued in 1 April 2011. An entity shall apply those amendments prospectively for annual periods beginning on or after 1 April 2011. If an entity elects to apply these amendments earlier, it shall disclose this fact.
- Any other amendments to the Standards of GRAP shall be applied retrospectively.

The effective date of the amendment is for years beginning on or after 01 April 2011.

The municipality expects to adopt the amendment for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 2 - Transitional provisions for public entities, municipal entities and constitutional institutions, states that no comparative segment information need to be presented on initial adoption of this Standard.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have no been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

Directive 4 – Transitional provisions for medium and low capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions un the Standard of GRAP on Property, Plant and Equipment and the Standard of GRAP on Agriculture, the recognition requirements of the Standard would not apply to such items until the transitional provision in that standard expires.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
  - pool the assets contributed by various entities that are not under common control; and
  - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
  - an entity's decision to terminate an employee's employment before the normal retirement date; or
  - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- Short-term employee benefits;
  - All short-term employee benefits;
  - Short-term compensated absences;
  - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;
- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
  - Actuarial valuation method;
  - Attributing benefits to periods of service;
  - Actuarial assumptions;
  - Actuarial assumptions: Discount rate;
  - Actuarial assumptions: Salaries, benefits and medical costs;
  - Actuarial gains and losses;
  - Past service cost.
- Plan assets:
  - Fair value of plan assets;
  - Reimbursements;
  - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality expects to adopt the standard for the first time in the 2014 annual financial statements.

It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

Notes to the Annual Financial Statements

2. New standards and interpretations (continued)

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its annual financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 annual financial statements.

It is unlikely that the amendment will have a material impact on the municipality's annual financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's annual financial statements is expected to be as follows:

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

3. Property, plant and equipment

	2011			2010		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	141 180 449	(9 269 755)	131 910 694	141 180 449	(6 817 404)	134 363 045
Infrastructure	1 135 475 386	(131 633 378)	1 003 842 008	1 080 736 170	(109 951 697)	970 784 473
Community	254 775 146	(27 560 333)	227 214 813	254 775 146	(22 040 850)	232 734 296
Leased Assets	5 154 321	(5 154 321)	-	5 154 321	(5 154 321)	-
Heritage	10 100	-	10 100	10 100	-	10 100
Other property, plant and equipment	141 848 221	(49 344 051)	92 504 170	141 848 221	(41 154 482)	100 693 739
Total	**1 678 443 623**	**(222 961 838)**	**1 455 481 785**	**1 623 704 407**	**(185 118 754)**	**1 438 585 653**

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Depreciation	Total
Land	134 363 045	-	(2 452 351)	131 910 694
Infrastructure	970 784 473	54 739 216	(21 681 681)	1 003 842 008
Community	232 734 296	-	(5 519 483)	227 214 813
Heritage	10 100	-	-	10 100
Other property, plant and equipment	100 693 739	-	(8 189 569)	92 504 170
	1 438 585 653	**54 739 216**	**(37 843 084)**	**1 455 481 785**

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Other changes, movements	Depreciation	Total
Land	137 954 714	-	-	(3 591 669)	134 363 045
Infrastructure	933 871 014	56 109 010	-	(19 195 551)	970 784 473
Community	233 571 709	6 588 246	-	(7 425 659)	232 734 296
Artwork	10 100	-	-	-	10 100
Other property, plant and equipment	81 544 296	27 969 139	428 021	(9 247 717)	100 693 739
	1 386 951 833	**90 666 395**	**428 021**	**(39 460 596)**	**1 438 585 653**

Figures in Rand	2011	2010

4. Other financial assets

	2011	2010
Fair value through profit and loss		
Listed shares	878 360	726 099
58 000 Old Mutual shares		
Cost	834 040	834 040
Market value	835 780	690 780
1545 Sanlam shares		
Cost	25 647	25 647
Market value	42 580	26 698
Fixed deposits	103 829 580	16 461 018
Investec	-	14 044 789
Sanlam	670 669	670 669
Old Mutual	1 682 296	1 682 296
Momentum	101 373 467	-
The Investec fixed deposit has been ceded to INCA and the Old Mutual fixed deposit has been ceded to DBSA.		
Unit trusts Old Mutual Unit Trusts.	7 266 340	7 032 870
Policies Old Mutual Policy. The policy has been ceded to DBSA.	14 838 319	14 259 042
Gilts Nedcor Bank Gilts. The gilts have been ceded to DBSA.	10 937 846	10 255 227
	137 750 445	**48 734 256**

	2011	2010
Non-current assets		
At fair value through suplus or deficit	137 750 445	48 734 256

All investements not ceded to institutions are ring fenced for the purpose of repaying long-term liabilities.

5. Employee benefit obligations

Changes in the present value of the defined benefit obligation are as follows:

	2011	2010
Opening balance	(66 806 893)	(59 068 893)
Benefits paid	-	1 789 000
Net expense recognised in the statement of financial performance	-	(9 527 000)
Closing balance	**(66 806 893)**	**(66 806 893)**

Net expense recognised in the statement of financial performance

	2011	2010
Current service cost	-	(3 033 000)
Interest cost	-	(5 754 000)
Actuarial (gains) / losses	-	(740 000)
Total included in employee related costs	**-**	**(9 527 000)**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

5. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date: 31 August 2010

	2011	2010
Discount rates used	9.50 %	9.50 %
Expected increase in healthcare costs	7.75 %	7.75 %
Nett discount rate	1.62 %	1.62 %

6. Other receivables

	2011	2010
Long term receivables	12 445 380	12 445 380

Abeyance balances in respect of consumer debtors and housing loans transferred from current account to abeyance register. Although slow paying, these amounts are not considered to be impaired.

7. Inventories

	2011	2010
Consumable stores	3 554 975	4 662 047
Water	47 569	121 317
	3 602 544	**4 783 364**

8. Trade and other receivables from exchange transactions

	2011	2010
Prepayments	39 912	-

9. VAT receivable

	2011	2010
VAT	15 298 580	5 572 348

10. Consumer debtors

	2011	2010
Gross balances		
Rates	207 919 287	168 762 622
Electricity	80 226 348	67 339 170
Water	262 138 175	257 668 838
Sewerage	51 498 287	44 044 522
Refuse	51 182 229	42 846 973
Other	145 956 934	96 746 443
	798 921 260	**677 408 568**
Less: Provision for debt impairment		
Rates	(154 026 638)	(124 627 656)
Electricity	(59 431 690)	(48 087 995)
Water	(194 191 998)	(157 126 674)
Sewerage	(38 149 938)	(30 868 280)
Refuse	(37 915 802)	(30 678 834)
Other	(108 124 917)	(87 487 172)
	(591 840 983)	**(478 876 611)**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

10. Consumer debtors (continued)

Net balance		
Rates	53 892 649	44 134 966
Electricity	20 794 658	19 251 175
Water	67 946 177	100 542 164
Sewerage	13 348 349	13 176 242
Refuse	13 266 427	12 168 139
Other	37 832 017	9 259 271
	207 080 277	**198 531 957**
Rates		
Current (0 -30 days)	12 032 785	10 185 281
31 - 60 days	7 179 147	7 249 515
61 - 90 days	6 208 708	5 913 661
91 - 120 days	28 472 009	20 786 509
	53 892 649	**44 134 966**
Electricity		
Current (0 -30 days)	20 532 732	12 417 412
31 - 60 days	261 926	6 833 763
	20 794 658	**19 251 175**
Water		
Current (0 -30 days)	3 343 966	4 394 177
31 - 60 days	2 837 731	3 206 619
61 - 90 days	2 058 675	3 563 124
91 - 120 days	59 705 805	89 378 244
	67 946 177	**100 542 164**
Sewerage		
Current (0 -30 days)	2 017 176	1 987 192
31 - 60 days	1 519 611	1 508 369
61 - 90 days	1 335 814	1 239 493
91 - 120 days	8 475 748	8 441 188
	13 348 349	**13 176 242**
Refuse		
Current (0 -30 days)	2 007 004	2 013 014
31 - 60 days	1 541 392	1 490 581
61 - 90 days	1 397 789	1 282 414
91 - 120 days	8 320 242	7 382 130
	13 266 427	**12 168 139**
Other (specify)		
Current (0 -30 days)	4 409 395	3 339 488
31 - 60 days	3 489 271	3 392 612
61 - 90 days	3 657 439	817 511
91 - 120 days	26 275 912	1 709 660
	37 832 017	**9 259 271**

Figures in Rand	2011	2010

10. Consumer debtors (continued)

Reconciliation of debt impairment provision

	2011	2010
Balance at beginning of the year	(478 876 611)	(387 473 688)
Contributions to provision	(112 964 372)	(91 402 923)
	(591 840 983)	**(478 876 611)**

11. Cash and cash equivalents

Cash and cash equivalents consist of:

	2011	2010
Cash on hand	19 673	17 314
Bank balances	36 885 844	-
Short-term deposits	40 228 852	58 250 519
Bank overdraft	-	(569 002)
	77 134 369	**57 698 831**
Current assets	77 134 369	58 267 833
Current liabilities	-	(569 002)
	77 134 369	**57 698 831**

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2011	**30 June 2010**	**30 June 2009**	**30 June 2011**	**30 June 2010**	**30 June 2009**
ABSA Bank - Main Account - 640000376	23 605 130	2 837 080	8 889 677	33 663 805	(7 311 572)	(6 908 868)
ABSA Bank - Housing account - 4052683765	658	135 375	4 981 804	658	135 375	4 981 804
ABSA Bank - Disaster account - 4055073462	-	-	300 246	-	-	295 097
ABSA Bank - DWAF account - 4055308239	1 161	1 943	663	1 161	1 886	662
ABSA Bank - Licensing account - 4052379233	3 016 320	6 418 911	3 006	3 016 317	6 418 911	3 006
ABSA Bank - Klipgat Account - 4054697853	203 902	186 401	891	203 902	186 401	891
Total	**26 827 171**	**9 579 710**	**14 176 287**	**36 885 843**	**(568 999)**	**(1 627 408)**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010
12. Other financial liabilities		
Held at amortised cost		
Development Bank of South Africa	20 292 202	24 021 905
The loans are secured by investments referred to in note 3; they bear interest at rates between 7 and 18% and are repayable in bi-annual installments.		
Public Investment Company	475 270 529	444 294 123
The loans are secured by investments referred to in note 3; they bear interest at rates between 12 and 13%, there is no agreed upon repayment date.		
INCA	-	16 000 000
The above loan is secured againsed the Investec deposit account listed in note 13.The loan bears interest at 16.5% payable bi-annualy.The loan matured on the 30 June 2011.		
	495 562 731	**484 316 028**
Non-current liabilities		
At amortised cost	486 933 824	471 123 489
Current liabilities		
At amortised cost	8 628 907	13 192 539
	495 562 731	**484 316 028**

13. Finance lease obligation

	2011	2010
Minimum lease payments due		
- within one year	871 273	1 025 890
- in second to fifth year inclusive	1 488 638	2 359 911
	2 359 911	3 385 801
less: future finance charges	(294 884)	(528 598)
Present value of minimum lease payments	**2 065 027**	**2 857 203**
Present value of minimum lease payments due		
- within one year	711 634	792 670
- in second to fifth year inclusive	1 353 392	2 065 026
	2 065 026	**2 857 696**
Non-current liabilities	1 353 392	2 065 026
Current liabilities	711 634	792 670
	2 065 026	**2 857 696**

Figures in Rand	2011	2010

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2011	2010
Unspent conditional grants and receipts		
Library DSAC	-	500 000
Municipal Systems Improvment Grant	205 302	489 378
Municipal Infrastructure Grant	106 787 313	10 657 781
	106 992 615	**11 647 159**

Movement during the year

	2011	2010
Balance at the beginning of the year	11 647 159	-
Additions during the year	95 345 456	11 647 159
	106 992 615	**11 647 159**

15. Provisions

Reconciliation of provisions - 2011

	Opening Balance	Additions	Total
Environmental rehabilitation	4 000 000	-	4 000 000
Employee benefit cost	66 806 893	9 589 000	76 395 893
	70 806 893	**9 589 000**	**80 395 893**

Reconciliation of provisions - 2010

	Opening Balance	Additions	Utilised during the year	Total
Environmental rehabilitation	-	4 000 000	-	4 000 000
Employee benefit costs	59 068 893	9 527 000	(1 789 000)	66 806 893
	59 068 893	**13 527 000**	**(1 789 000)**	**70 806 893**

16. Trade and other payables from exchange transactions

	2011	2010
Trade payables	201 071 200	168 675 842
Payments received in advanced - consumer debtors	40 531 189	22 216 944
Retentions	12 281 598	13 768 637
Accrued leave pay	16 302 741	15 921 232
Accrued bonus	4 673 460	4 083 660
Other payables	3 960 768	422 049
	278 820 956	**225 088 364**

17. Consumer deposits

	2011	2010
Deposits held from Consumers	9 710 672	8 109 492

Figures in Rand	2011	2010

18. Revenue

Property rates	138 402 499	129 035 419
Service charges	348 285 395	320 733 640
Rental of facilities	893 968	919 721
Interest received – trading	36 721 506	33 795 199
Fines	765 857	793 430
Licences and permits	4 120 380	3 868 027
Government grants and subsidies	274 411 756	278 760 294
Income from agency fees	8 182 056	7 407 246
	811 783 417	**775 312 976**

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	348 285 395	320 733 640
Rental of facilities	893 968	919 721
Interest received – trading	36 721 506	33 795 199
Licences and permits	4 120 380	3 868 027
	390 021 249	**359 316 587**

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	138 402 499	129 035 419
Fines	765 857	793 430
Transfer revenue		
Government grants and subsidies	274 411 756	278 760 294
Income fromagency fees	8 182 056	7 407 246
	421 762 168	**415 996 389**

19. Property rates

Rates received

Commercial, State, Agriculture and Residential rates	138 402 499	129 035 419

The valuations for the different property groups are stated below. (Amounts are rounded to the nearest R1000)

Valuations

Residential	15 826 779	15 826 779
Commercial	2 681 970	2 681 970
State	829 324	829 324
Small holdings and farms	5 852 918	5 852 918
	25 190 991	**25 190 991**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2009. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2013.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

20. Service charges

Sale of electricity	257 246 010	226 152 504
Sale of water	42 663 881	50 296 271
Sewerage and sanitation charges	24 828 082	21 566 686
Refuse removal	23 547 422	22 718 179
	348 285 395	**320 733 640**

21. Government grants and subsidies

Equitable share	217 229 995	174 241 044
Department of Water Affairs and Forestry	4 190 001	15 173 368
Financial Management Grant	1 000 000	750 000
Municipal Systems Improvement Grant	1 034 076	245 622
Seta: EPWP training	150 108	687 319
MIG Grant - PMU Management portion	500 000	-
MIG Grant - Capex	40 179 468	72 392 219
Housing Project Grant	-	10 050 968
Bulk services Contributions	78 360	1 229 344
BPDM	5 885 748	3 990 410
Expanded Public Works Programme Incentive Grant	1 164 000	-
COGTA	3 000 000	-
	274 411 756	**278 760 294**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

22. Other income

Advertising hoarding	200 373	374 845
Building plans	585 221	861 964
Cemetery fees	719 038	759 813
Electrical sales departmental trading	7 021 533	8 830 805
Final notice fees	311 469	1 451 533
Insurance commision	100 022	108 417
Other income	2 498 003	886 164
Reconnection fees	785 653	190 844
Service connections	599 218	653 064
Servitude Income	602 490	-
Tender document fees	150 474	183 029
Town planning	257 291	230 679
Valuation fees	41 675	35 359
Water sales departmental trading	648 880	437 460
	14 521 340	**15 003 976**

Figures in Rand	2011	2010

23. General expenses

	2011	2010
Advertising	402 663	449 545
Assistance to indigents	8 430 368	6 837 217
Auditors remuneration	1 904 985	1 708 826
Bank charges	1 050 211	867 274
Chemicals	3 205 144	4 290 844
Cleaning	268 023	332 798
Consulting and professional fees	9 462 739	8 292 786
Debt collection	-	2 937 951
Discount allowed	2 730 651	-
Entertainment	65 853	492 684
Fines and penalties	-	170 834
Insurance	3 089 197	1 891 553
Lease rentals on operating lease	10 620 162	12 193 866
Other	15 134 214	28 675 633
Printing and stationery	2 464 743	2 826 968
Protective clothing	284 640	630 717
Software license fees	123 342	1 961 411
Stock write off	1 093 049	986 270
Subscriptions and membership fees	1 193 302	1 437 761
Telephone and fax	3 477 463	4 015 778
Training	1 701 513	2 274 988
Training levy	1 608 990	1 491 409
Transport and freight	2 770 858	2 761 783
Travel - local	1 088 789	1 598 972
Valuation roll & general valuations	1 199 357	833 105
Water operation subsidy rural areas	-	6 091 344
	73 370 256	**96 052 317**

Figures in Rand	2011	2010

24. Employee related costs

	2011	2010
Acting allowances	4 114 771	2 270 420
Basic	112 535 206	103 001 589
Bonus	9 455 163	8 222 354
Contribution to industrial council	43 009	41 047
Housing benefits and allowances	1 247 649	2 720 286
Leave pay provision charge	4 164 807	5 613 136
Medical aid - company contributions	14 926 499	21 602 998
Overtime payments	20 816 101	20 565 513
Post-employment benefits - Pension - Defined contribution plan	24 587 149	23 063 046
Standby allowances	1 403 161	1 316 819
Transitional allowances	24 453	31 644
Travel, motor car, accommodation, subsistence and other allowances	10 431 352	10 107 307
UIF	1 066 812	1 040 268
	204 816 132	**199 596 427**

Remuneration of municipal manager

	2011	2010
Annual Remuneration	537 279	730 428
Car Allowance	-	154 344
Contributions to UIF, Medical and Pension Funds	11 074	151 389
	548 353	**1 036 161**

Remuneration of chief finance officer

	2011	2010
Annual Remuneration	483 889	505 395
Car Allowance	90 000	94 320
Contributions to UIF, Medical and Pension Funds	118 013	116 772
	691 902	**716 487**

Corporate and human resources (corporate services)

	2011	2010
Annual Remuneration	606 460	581 795
Car Allowance	136 044	134 967
Contributions to UIF, Medical and Pension Funds	120 401	110 636
	862 905	**827 398**

Procurements and infrastructure (planning, transport and environmental affairs)

	2011	2010
Annual Remuneration	516 863	501 066
Car Allowance	168 000	168 000
Contributions to UIF, Medical and Pension Funds	108 671	107 493
	793 534	**776 559**

Finance and economics development

	2011	2010
Annual Remuneration	630 031	560 192
Car Allowance	120 000	120 000
Contributions to UIF, Medical and Pension Funds	114 908	106 041
	864 939	**786 233**

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

25. Remuneration of councillors

Executive Major	371 242	365 212
Chief WHIP	249 722	277 520
Mayoral Committee Members	2 266 353	2 136 960
Speaker	301 246	290 814
Councillors	11 032 306	9 171 558
Councillors' pension contribution	1 144 123	2 227 885
	15 364 992	**14 469 949**

26. Debt impairment

Debt impairment	112 964 373	91 402 923

27. Investment revenue

Dividend revenue		
Other financial asset 1 - Local	7 006	10 046
Interest revenue		
Investments	10 560 049	7 211 307
	10 567 055	**7 221 353**

28. Depreciation and amortisation

Property, plant and equipment	37 843 084	39 460 596

29. Finance costs

Non-current borrowings	63 215 897	55 584 659
Finance leases	233 221	292 687
Bank	8 817	-
Other interest paid	6 556 000	-
	70 013 935	**55 877 346**

30. Auditors' remuneration

Fees	1 904 985	1 708 826

31. Contracted services

Fleet Services	1 420 693	2 719 364
Operating Leases	5 305 815	9 595 863
Specialist Services	17 205 649	13 078 594
Other Contractors	23 593 165	29 307 638
	47 525 322	**54 701 459**

32. Bulk purchases

Electricity	273 782 353	173 207 600
Water	17 197 265	9 463 519
	290 979 618	**182 671 119**

Notes to the Annual Financial Statements

33. Cash generated from operations

Figures in Rand	2011	2010
Surplus / (deficit)	(28 240 762)	38 486 269
Adjustments for:		
Depreciation and amortisation	37 843 084	39 460 596
Loss on sale of assets and liabilities	(15 913)	-
Fair value adjustments	(495 785)	(634 480)
Finance costs - Finance leases	233 221	292 687
Debt impairment	112 964 373	91 402 923
Movements in provisions	9 589 000	11 738 000
Finance costs - finance leases	-	251 266
Changes in working capital:		
Inventories	1 180 820	(625 301)
Trade and other receivables from exchange transactions	(39 912)	-
Other receivables from non-exchange transactions	-	29 621
Consumer debtors	(121 512 688)	(92 017 231)
Trade and other payables from exchange transactions	53 732 591	8 937 869
VAT	(9 726 232)	(30 489 641)
Unspent conditional grants and receipts	95 345 456	11 647 159
Consumer deposits	1 601 180	389 426
	152 458 433	**78 869 163**

34. Commitments

Operating leases - as lessee (expense)

	2011	2010
Minimum lease payments due		
- within one year	111 551	566 357
- in second to fifth year inclusive	-	349 174
	111 551	**915 531**

35. Contingencies

The Municipality received summons form Bridget Ranaana for R100 000, in which the Plaintiff alleged in their particulars of claim that her minor child suffered serious injuries (electrocuted) as result of the Municipality's negligence to take care of the electricity wires (illegal connections) on the road of Phase 3 at Oukasie.

Municipality is summoned for R1 011652.20 for the professional services rendered by the Dombo, Du Plessis & Nzhelele Resources to the Municipality.

The Municipality is summoned by Eagles Landing Home Owners Association for expenses to the amount of R350 746.63 incurred in respect of the operation and maintenance of the Eagles Landing Sewage Treatment Plant.

Elsabie Christina Vivian is claiming from the Municipality R50 000,00 for an injuries she suffered and medical expenses she incurred as a result of falling down and injured the whole of her left side due to faulty in the road at 33 Murray Street, Brits.

Summons issued by GR Makopo CC against the Municipality for the payment of R4 009 584.55 which is alleged to be compensation for breach of contract by the Municipality.

Summons was issued by Hloyisane Electrical Technologies against the Municipality claiming payment in the amount of R5 098 901.94 which is alleged to be for the service rendered to the Municipality.

Mogolola Mokoka & Associates Consulting Engineering Services CC issued summons in the amount of R9 113 580.62 for services which is alleged to have been rendered to the Municipality.

The Municipality has been summoned by Murangaphanda Investment Holdings (PTY) LTD to pay R3 981 675.73 in respect of the written agreement entered into with the Plaintiff being that the Plaintiff will audit the Municipality books by conducting VAT and Accounts review for the period between August 2009 and May 2010.

Nchebe Consulting CC issued summons claiming an amount of R13 071 380.89 which is for professional service which is alleged to have been rendered to the Municipality.

Phaphiri Business Enterprise CC sued the Municipality for an amount of R2 467 958.80 which is alleged to be a shortfall for payment of services rendered from April 2006 to March 2008 for .the removal service in the households, businesses, service container and street cleaning and removal of illegally dumped waste and this refers to those services at the eastern side of the Hartbeespoort.

Qubekela Projects were appointed by the Municipality on 18 Mach 2009 for the construction of Oukasie Road. Qubekela performed all the work until November 2009. The engineer, Bigen Africa, issued a payment certificate in terms of which the amount of R950 000.00 was due and payable to Qubekela. The amount has been settled during 2012 financial year.

Sebata served Summons on Madibeng Municipality demanding payment of R607 835.77 and R39 576.63 per month from 1 February 2010 to last date of termination and return of the Sebata Financial Management System.

Contingent assets

The municipality and Centuria entered in to settlement agreement with Michael Night Properties in terms of which the municipality and Centuria will jointly and severally liable to pay the amount of R3 000 000 to Michael Night Properties. The municipality paid the amount of R3 000 000 as well as interest and legal costs to Michael Night Properties amounting to R209 656 04.

Summons was issued for the payment of R1.500 000. and R104 828.02 being a portion of the settlement agreement and interest incurred and default judgment obtained against Centuria.

The Municipality is claiming R6 000 000 against Cosmos Ridge (PTY) LTD which is an amount to be incurred by the Municipality in providing outstanding services that the developer, Cosmos Ridge (PTY) LTD failed to provide at Cosmos Ridge.

Claim for loss suffered by the Municipality due to following

1. Sale of premature policies below the surrender value in the amount of R243 234. 70.
2. Overcharged commission amounting to R1 746 836. 20 and
3. Damages for unpaid proceeds of sale in the amount of R962 527. 78.

Figures in Rand	2011	2010

36. Related parties

Relationships

Accounting Officer	Refer to accounting officer's report

37. Prior period errors

In the investment note, the Old Mutual policy was understated with R269 634 in the previous year and the Old Mutual fixed deposit was overstated with the same amount due to misclassification. The error has been corrected with no effect on the financial statements.

- The monthly charges on the unit trust accounts was not accounted for.
- Interest on the DBSA loans were not accounted for.
- Reversed reserves that were not cash back to accumulated surplus.
- Accounted for creditor transactions not processed.
- No provision has been made for 13th cheques.
- Retentions were accounted for that did not exist.
- Not all finance leases were accounted for.
- Operating leases were classified as finance leases.
- Not all unspent grants were accounted for.
- A settlement agreement was entered into with one of the creditors. The reduction in account was not taken into account.

The correction of the error(s) results in adjustments as follows:

	2011	2010
Statement of financial position		
Other financial assets	-	(142 368)
Other financial liabilities	-	(3 233 388)
Trade and other payables	-	63 076 349
Trade and other receivables	-	(171 767)
Finance leases		(1 880 846)
Other liabilities		(11 147 159)
VAT		3 564 408
Opening Accumualted Surplus or Deficit	-	(891 084 668)
Reserves	-	857 141 723
Statement of Financial Performance		
Revenue	-	11 147 159
General expenses	-	(34 627 912)
Interet paid	-	3 274 809
Employee costs	-	4 083 660

38. Risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

The municipality is not exposed to interest rate riskon itas financial liabilities. All the municipalities interest bearing external loan liabilities, as set out in Appendix A, have fixed interest rates.

Notes to the Annual Financial Statements

Figures in Rand	2011	2010

38. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and consumer debtors. The municipality only deposits cash with major banks.

Credit risk relating to consumer debtors is managed in accordance with Council's credit control and debt collection policy.The council's credit exposure is spread over a large number and wide variety of consumers, and is not concentrated in any particular sector or geographical area. Adequate provision has been made for antisipated bad and doubtful debts.

39. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

40. Unauthorised expenditure

Overspending on operating expenses	-	54 960 635

41. Additional disclosure in terms of Municipal Finance Management Act

PAYE and UIF

Current year fee	37 307 204	38 251 775
Amount paid	(37 307 204)	(38 251 775)
	-	-

Pension and Medical Aid Deductions

Opening balance	48 752	-
Current year fee	56 710 388	53 040 640
Amount paid - current year	(56 710 388)	(52 991 888)
Amount paid - previous years	(48 752)	-
	-	**48 752**

VAT

VAT receivable	15 298 580	5 572 348

VAT output payables and VAT input receivables are shown in note .

Schedule of external loans as at 30 June 2011

	Redeemable	Balance at 30 June 2010 Rand	Received during the period Rand	Redeemed written off during the period Rand	Balance at 30 June 2011 Rand
Development Bank of South Africa (DBSA)					
10 926/103	2012/09/30	9 726 571	1 318 056	2 347 782	8 696 845
10 927/101	2013/09/30	8 591 412	1 205 020	1 584 269	8 212 163
103 290/4	2011/03/31	5 253 540	286 394	2 665 096	2 874 838
13 184/101	2012/12/31	450 383	58 021	47	508 357
		24 021 906	**2 867 491**	**6 597 194**	**20 292 203**
Infrastructure Finance Corporation (INCA)					
Hart-00-0001	2011/06/30	16 000 000	2 704 000	18 704 000	-
		16 000 000	**2 704 000**	**18 704 000**	**-**
Public investment Corporation					
BR20		79 937 262	10 907 591	4 766 744	86 078 109
BR25		185 093 252	23 800 634	10 692 966	198 200 920
BR26		179 263 609	22 936 181	11 208 290	190 991 500
		444 294 123	**57 644 406**	**26 668 000**	**475 270 529**
Total external loans					
Development Bank of South Africa (DBSA)		24 021 906	2 867 491	6 597 194	20 292 203
Infrastructure Finance Corporation (INCA)		16 000 000	2 704 000	18 704 000	-
Public investment Corporation		444 294 123	57 644 406	26 668 000	475 270 529
		484 316 029	**63 215 897**	**51 969 194**	**495 562 732**

Madibeng Local Municipality

Appendix B
June 2011

Analysis of property, plant and equipment as at 30 June 2011

	Cost/Revaluation							Accumulated depreciation						
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings	141 180 449	-	-	-	-	-	141 180 449	(6 817 404)	-	-	(2 452 351)	-	(9 269 755)	131 910 694
Infrastructure	1 080 736 170	54 739 216	-	-	-	-	1 135 475 386	(109 951 697)	-	-	(21 681 681)	-	(131 633 378)	1 003 842 008
Community Assets	254 775 146	-	-	-	-	-	254 775 146	(22 040 850)	-	-	(5 519 483)	-	(27 560 333)	227 214 813
Heritage assets	10 100	-	-	-	-	-	10 100	-	-	-	-	-	-	10 100
Other assets	147 002 542	-	-	-	-	-	147 002 542	(46 308 803)	-	-	(8 189 569)	-	(54 498 372)	92 504 170
Total property plant and equipment														
Land and buildings	141 180 449	-	-	-	-	-	141 180 449	(6 817 404)	-	-	(2 452 351)	-	(9 269 755)	131 910 694
Infrastructure	1 080 736 170	54 739 216	-	-	-	-	1 135 475 386	(109 951 697)	-	-	(21 681 681)	-	(131 633 378)	1 003 842 008
Community Assets	254 775 146	-	-	-	-	-	254 775 146	(22 040 850)	-	-	(5 519 483)	-	(27 560 333)	227 214 813
Heritage assets	10 100	-	-	-	-	-	10 100	-	-	-	-	-	-	10 100
Other assets	147 002 542	-	-	-	-	-	147 002 542	(46 308 803)	-	-	(8 189 569)	-	(54 498 372)	92 504 170
	1 623 704 407	54 739 216	-	-	-	-	1 678 443 623	(185 118 754)	-	-	(37 843 084)	-	(222 961 838)	1 455 481 785

MADIBENG LOCAL MUNICIPALITY
Appendix D

Segmental Statement of Financial Performance for the year ended

Prior Year 2010				Current Year 2011		
Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Municipality			
-	46 207 808	(46 207 808)	Executive & Council/Mayor and Council	-	36 158 057	(36 158 057)
393 963 391	264 614 241	129 349 150	Finance & Admin/Finance	447 834 427	318 141 864	129 692 563
11 946 888	43 040 546	(31 093 658)	Planning and Development/Economic Development/Plan	2 057 868	16 471 125	(14 413 257)
427	7 763 825	(7 763 398)	Health/Clinics	-	7 868 325	(7 868 325)
25 611 669	31 677 235	(6 065 566)	Comm. & Social/Libraries and archives	27 065 569	40 920 978	(13 855 409)
12 449 288	47 063 551	(34 614 263)	Public Safety/Police	13 275 111	43 584 533	(30 309 422)
956 651	30 330 926	(29 374 275)	Sport and Recreation	1 042 564	32 648 051	(31 605 487)
3 990 410	36 750 709	(32 760 299)	Road Transport/Roads	5 885 748	27 795 615	(21 909 867)
106 326 846	75 158 863	31 167 983	Water/Water Distribution	74 895 793	35 940 987	38 954 806
242 292 736	175 675 054	66 617 682	Electricity /Electricity Distribution	264 830 646	293 609 807	(28 779 161)
-	1 403 756	(1 403 756)	Other/Air Transport	-	876 852	(876 852)
797 538 306	**759 686 514**	**37 851 792**		**836 887 726**	**854 016 194**	**(17 128 468)**
			Municipal Owned Entities			
			Other charges			
797 538 306	759 686 514	37 851 792	Municipality	836 887 726	854 016 194	(17 128 468)
797 538 306	**759 686 514**	**37 851 792**	**Total**	**836 887 726**	**854 016 194**	**(17 128 468)**

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2011

	Current year 2011 Act. Bal. Rand	Current year 2011 Bud. Amt Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	138 402 499	117 408 108	20 994 391	17.9	
Service charges	348 285 396	236 255 150	112 030 246	47.4	
Rental of facilities and equipment	893 968	(50 000)	943 968	1 887.9)	
Interest received (trading)	36 721 506	5 920 296	30 801 210	520.3	
Fines	765 857	-	765 857	-	
Licences and permits	4 120 380	-	4 120 380	-	
Government grants & subsidies	274 411 756	229 761 858	44 649 898	19.4	
Income from agency fees	8 182 056	-	8 182 056	-	
Other income	14 521 340	764 948	13 756 392	1 798.3	
Interest received - investment	10 560 049	-	10 560 049	-	
Dividends received	7 006	-	7 006	-	
	836 871 813	590 060 360	246 811 453	41.8	
Expenses					
Personnel	(204 816 131)	(188 010 165)	(16 805 966)	8.9	
Remuneration of councillors	(15 364 992)	(15 808 048)	443 056	(2.8)	
Depreciation	(37 843 084)	(36 000 000)	(1 843 084)	5.1	
Finance costs	(70 013 935)	(34 833 930)	(35 180 005)	101.0	
Debt impairment	(112 964 373)	-	(112 964 373)	-	
Repairs and maintenance	(12 746 560)	(22 764 226)	10 017 666	(44.0)	
Bulk purchases	(290 979 618)	(197 469 221)	(93 510 397)	47.4	
Contracted Services	(47 525 322)	(45 540 640)	(1 984 682)	4.4	
General Expenses	(73 370 255)	(829 430 228)	756 059 973	(91.2)	
	(865 624 270)	369 856 458)	504 232 188	(36.8)	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	15 913	-	15 913	-	
Fair value adjustments	495 785	-	495 785	-	
	511 698	-	511 698	-	
Net surplus/ (deficit) for the year	(28 240 759)	(779 796 098)	751 555 339	(96.4)	

MADIBENG LOCAL MUNICIPALITY
Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Quarterly Receipts				Quarterly Expenditure				Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
	Sep	Dec	Mar	Jun	Sep	Dec	Mar	Jun	Yes/ No	
Equitable Share	90 512 497	72 410 000	54 307 498	-	-	-	-	-	Yes	
Municipal Systems Improvement Grant	750 000	-	-	-	4 092	358 091	73 310	598 583	Yes	
Financial Management Grant	1 000 000	-	-	-	(45 662)	312 768	119 051	613 843	Yes	
Department of Water Affairs and Forestry	1 396 000	1 397 000	1 397 000	-	-	-	-	4 190 000	Yes	
Municipal Infrastructure Grant	50 000 000	48 000 000	38 309 000	-	1 222 698	2 791 914	3 335 709	47 388 894	Yes	
Expanded Public Works Programme Incentive Grant	-	1 164 000	-	-	-	-	-	1 164 000	Yes	
Bojanala Grant	-	-	-	4 671 600	-	-	-	4 671 600	Yes	
COGTA Grant	-	3 000 000	-	-	-	-	-	3 000 000	Yes	
	143 658 497	125 971 000	94 013 498	4 671 600	1 181 128	3 462 773	3 528 070	61 626 920		